

# California at the Brink of Financial Disaster

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# \$41.6 Billion of Budget Deficit

(General Fund in Billions)

Carry Forward Deficit	-\$14.8
Revenues and Transfers	86.3
Total Available Resources	<hr/> \$71.5
Target Reserve	2.0
Expenditures	111.1
2009-10 Budget Deficit	<hr/> <hr/> -\$41.6



# What Happens When the State "Runs Out of Money"?

(Amounts in Billions)

	Jan	Feb	Mar	Apr	May	Jun	Jul
Beginning Balance With Borrowables	\$3.7	\$3.2	-\$0.5	-\$4.2	-\$3.5	-\$4.4	-\$3.7
Receipts	7.8	5.3	4.9	11.8	5.8	6.9	5.8
Disbursements	8.3	9.0	8.6	11.1	6.7	6.2	12.5
Ending Cash Balance Including Borrowables	3.2	-0.5	-4.2	-3.5	-4.4	-3.7	-10.4
General Fund Cash Balance	-\$11.8	-\$15.6	-\$18.8	-\$18.0	-\$19.2	-\$18.4	-\$26.3

# Who Will and Who Won't Be Paid?

## Will Pay

- Public Schools
- Debt Service, GO and Lease Revenue
- Repayments to Special Funds
- Payroll and Benefits
- Medi-Cal Claims
- RANs Repayment

## Will Not Pay

- Tax Refunds
- Vendors
- Social Services Payments to Counties
- Healthy Families Program
- Developmental Services - Regional and Developmental Centers
- Mental Health Programs
- Cal Grants



# Infrastructure Projects Will Stop

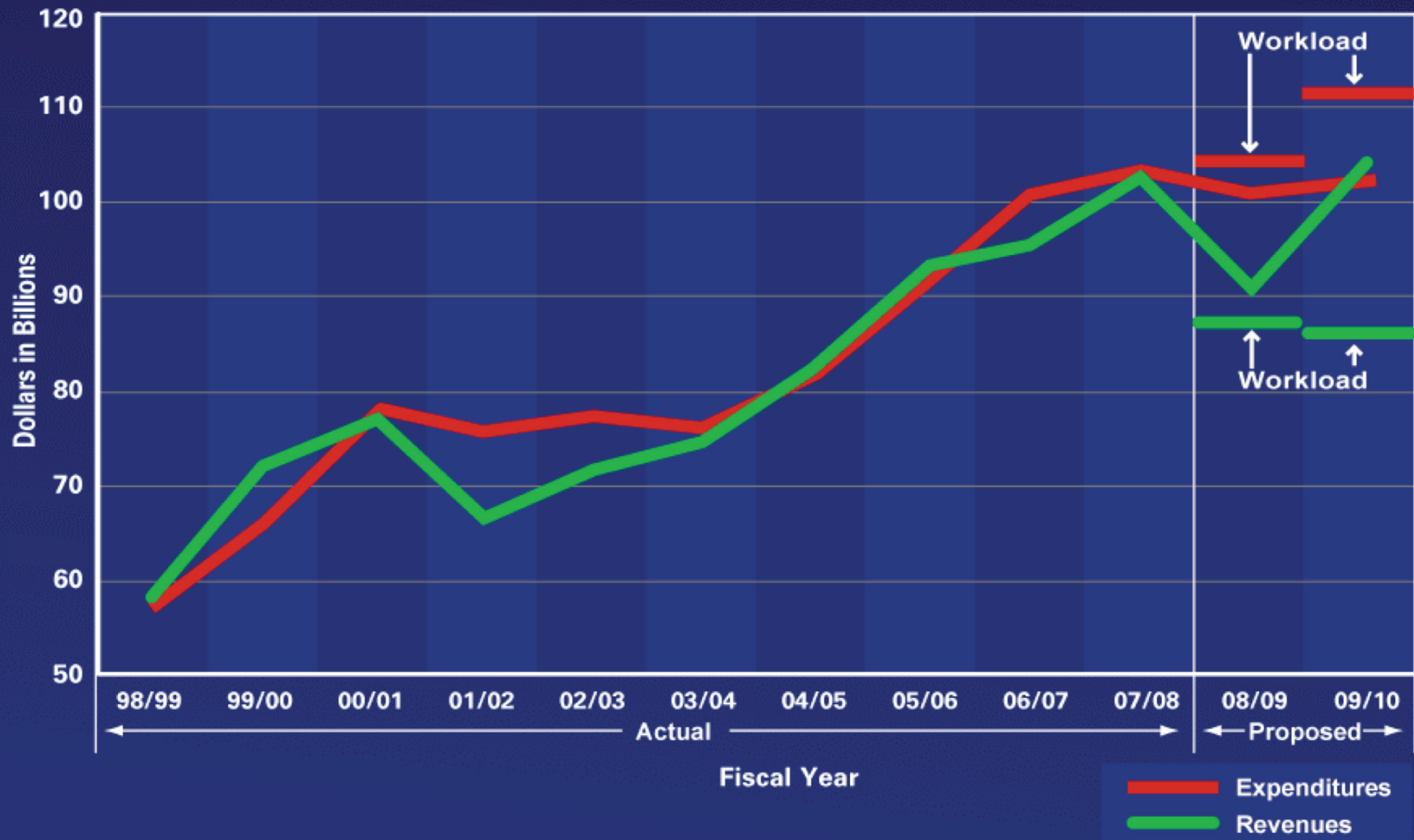
Over 5,700 infrastructure projects are at risk including

- 1,411 K-12, community college and university projects
- 203 transportation projects
- 481 flood control and water projects
- 671 housing projects

The value of all those projects exceeds \$22.5 billion

Shutting down these projects will result in closure costs and penalties that could be hundreds of millions of dollars

# How Did We Get Into This Mess?





# How Did We Get Into This Mess?

Average Annual Growth from 1998-99 to 2009-10 Governor's Budget

Major General Fund Programs	Average Annual Percentage Growth
Prop 98	4.6%
Base	2.7%
VLF Tax Cut	<i>Did not exist in 1998-99</i>
ERB Triple Flip	<i>Did not exist in 1998-99</i>
Corrections	6.3%
Higher Education <i>(excluding Comm. Colleges)</i>	2.5%
Medi-Cal	6.4%
SSI/SSP	1.5%
Developmental Services	13.1%
Mental Health	9.5%
CalWORKs	0.0%
IHSS	11.2%
Other HHS	4.3%
Prop 42	<i>Did not exist in 1998-99</i>
Courts	9.7%
Debt Service/Pension Contribution/Other Non-Discretionary	10.1%
<b>Total</b>	<b>4.7%</b>

# What Do We Propose To Do About It?

(Dollars in Billions)

	December 19 Special Session Proposals		Additional Special Session Proposals		Proposals to be Enacted By July 1		Total	
Expenditure Reductions	\$9,811	44%	\$4,049	87%	\$3,567	24%	\$17,427	42%
Revenues	12,505	56%	236	5%	1,545	10%	14,286	34%
Lottery	0	0%	0	0%	5,001	34%	5,001	12%
Borrowing	0	0%	358	8%	0	0%	358	1%
RAWs	0	0%	0	0%	4,673	32%	4,673	11%
<b>Total</b>	<b><u>\$22,316</u></b>	<b>100%</b>	<b><u>\$4,643</u></b>	<b>100%</b>	<b><u>\$14,786</u></b>	<b>100%</b>	<b><u>\$41,745</u></b>	<b>100%</b>



# What Do We Propose To Do About It?

## Cuts

(Dollars in Millions)

Program Area	2008-09 and prior	2009-10	Two-Year Total
Health and Human Services	\$461.8	\$4,332.5	\$4,794.3
Corrections and Rehabilitation	85.1	960.5	1,045.6
K-14 Education	5,027.8	2,683.2	7,711.0
Higher Education	132.2	725.0	857.2
Employee Compensation	414.6	1,288.5	1,703.1
Other	339.4	976.8	1,316.2
<b>Total</b>	<b>\$6,460.9</b>	<b>\$10,966.4</b>	<b>\$17,427.4</b>

# What Do We Propose To Do About It?

## Revenues

(Dollars in Millions)

Program Area	2008-09 and prior	2009-10	Two-Year Total
Temporary 1.5 cent Sales Tax Increase*	\$2,350.0	\$6,758.0	\$9,108.0
Sales Tax on Selected Services*	272.4	1,110.9	1,383.3
Reduce Dependent Exemption Credit	0.0	1,440.0	1,440.0
Oil Severance Tax**	348.2	836.4	1,184.6
Nickel a Drink Alcohol Tax Increase	244.0	585.0	829.0
Special Fund Loans and Transfers	399.0	195.2	594.2
Other	0.0	2.8	2.8
<b>Total</b>	<b>\$3,613.6</b>	<b>\$10,928.3</b>	<b>\$14,541.9</b>

\* Net of Prop 42 revenues

\*\* Net of Costs and Tidelands Revenue reduction



# Do The Solutions Hold Up?

